



Counterpoint Southeast Asia

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Does IPEF Really Matter to Southeast Asia?

By Denis Hew

The Indo-Pacific Economic Framework (IPEF) was launched by US President Biden in Tokyo, Japan on 23 May 2022. The framework is seen as a means for the United States (US) to economically re-engage with the Asia-Pacific region, including Southeast Asia after Washington pulled out of the Trans-Pacific Partnership (TPP) free trade agreement in 2017.

Besides the US, IPEF brings together thirteen countries which are Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand and Viet Nam.

Potentially, IPEF has significant economic clout comprising 40 percent of global GDP and 28 percent of

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global goods and services trade. But IPEF is not a free trade agreement (FTA), i.e., there is no market access through the reduction or elimination of trade tariffs and other trade barriers.

While IPEF is not a free trade agreement, its advantages lie in its modular approach and flexibility. Countries participating in IPEF can pick and choose which individual pillar or pillars that they wish to commit to. In theory, this approach would allow for quicker results on commitments that have been made in each pillar.

IPEF consist of four main pillars: i) trade, including digital economy/trade and trade facilitation; ii) supply chains, including crisis response mechanisms to address supply chain disruptions; iii) clean economy (clean energy, decarbonisation and infrastructure); and iv) fair economy (taxation and anti-corruption).

With the exception of the trade pillar, the other three pillars have reached or are close to reaching an agreement among its members. The supply chains pillar was concluded earlier on 27 May 2023 and negotiations for pillars on clean energy and taxation and anti-corruption have been substantially concluded by November 2023.

Many would consider the trade as the most important pillar in IPEF. However, negotiations to conclude the trade pillar, particularly over digital trade issues, broke down in November. Given that there is a close nexus between supply chains and trade, a stand-alone supply chains pillar seems somewhat incomplete without the trade pillar

and certainly a less powerful policy tool to revitalise global value chains and productions networks in this region.

Nevertheless, institutional mechanisms like an annual ministerial-level IPEF council will be set-up as well as joint committees to monitor the implementation of agreements for the remaining three pillars.

Given IPEF's limitations (no market access) and setbacks on the trade pillar negotiations, are there really any tangible benefits for countries joining this framework? Most importantly, does IPEF really matter to Southeast Asia, particularly at a time when the region is still struggling to recover from the global pandemic?

To address these questions, four analysts from the region were invited to present their arguments at the [**9th Counterpoint Southeast Asia public webinar**](#) on 30 November 2023.

Lee Su-Hyun argues that IPEF proposes economic initiatives that are critically important to Southeast Asia and ASEAN economic integration which are not covered by existing trade agreements. She highlights that all four pillars of IPEF will drive innovation and transformation in critical sectors such as clean energy and digital technology while buffering members against future challenges arising from supply chain disruptions, corruption and tax evasion. In particular, IPEF's supply chain agreement is possibly the world's first multilateral endeavour to establish institutional mechanisms to help members respond quickly and effectively to supply chain crises

caused by unexpected events such as pandemics and natural disasters.

Sanchita Basu Das agrees that IPEF could potentially bring about economic transformation and growth for Southeast Asia. In fact, lower income ASEAN member states would be major beneficiaries of technical cooperation under this framework. She adds that Southeast Asia could benefit from India's membership in IPEF. India's dynamic growing economy and close geographical proximity to Southeast Asia will facilitate greater production linkages and deeper economic integration in global and regional value chains.

Mark Anthony Barral finds that lack of market access and the breakdown in negotiations on the trade pillar raise concerns about IPEF's ability in trade rule-making. The US could be perceived as protectionist and opportunistic in its IPEF strategy. Essentially, the US does not offer access to its domestic market but still wants to impose its standards on IPEF members. Moreover, IPEF's strange mix of binding and non-binding commitments raise doubts on the enforceability of its agreements.

Mae Chow contends that the US is trying to re-write the rules on economic engagement in the region which could undermine the effectiveness of regional economic frameworks like the ASEAN Economic Community. She further argues that using IPEF as a means to contain China's economic influence in the region aggravates geopolitical tensions. US-China zero-sum competition

could jeopardise peace and stability in the region as well as challenge ASEAN's strategic autonomy and neutrality.

Within the ASEAN context, IPEF is not considered inclusive as it excludes Cambodia, Lao PDR and Myanmar. Some would argue that it may be better for ASEAN to focus on its own ASEAN Outlook on the Indo-Pacific (AOIP) strategy which does not undermine ASEAN centrality and covers economic cooperation. Under the cloud of US-China intense rivalry, IPEF could put ASEAN member states in a difficult position of "choosing a side" when they would very much prefer to do business with both superpowers.

In this current global slowdown and uncertain economic outlook, the region badly needs an initiative that can jump-start their economies. Can IPEF help to boost much needed trade and foreign investment in Southeast Asia? Would a less inclusive framework like IPEF create more economic inequality in the region instead of narrowing the development gap?

FTAs like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) appear more attractive than IPEF as their trade rules builds-in regional value content that would encourage the creation or expansion of global value chains.

Will IPEF eventually evolve into a new form of regional economic cooperation? Or will this US-led initiative fizzle out over time? The

outcome would depend on the successful conclusion of negotiations in the trade pillar and the effective implementation of all four pillars. Meanwhile, Southeast Asia does have better options out there.

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